



**Health Services**  
LOS ANGELES COUNTY

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November 28, 2006

Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF REQUEST TO DELEGATE AUTHORITY TO THE  
DIRECTOR OF HEALTH SERVICES FOR AGREEMENTS FOR THE  
PROVISION OF PHYSICIAN, AMBULANCE AND NON-MEDICAL  
TRANSPORTATION SERVICES AND FOR THE PURCHASE OF INPATIENT  
BED SPACE FOR THE IMPLEMENTATION OF THE METROCARE PLAN**  
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Delegate authority to the Director of Health Services ("Director") to negotiate and for the Chair of the Board, without further action by the Board, to execute agreements related to the implementation of Metrocare for:

(a) Emergency Department Physician Services at Martin Luther King-Harbor Hospital (MLK-Harbor), at an annual estimated maximum obligation of \$6 million for the period December 1, 2006 through November 30, 2009, with an option for the County to extend the agreement on an annual basis through November 30, 2011, on the same terms and conditions, upon approval by County Counsel and the Chief Administrative Office; (b) Hospitalist and Intensivist Physician Services at MLK-Harbor and other County facilities impacted by Metrocare's implementation, at an estimated annual maximum obligation of \$3 million, for the period December 1, 2006 through November 30, 2007, with an option for the County to extend the agreement, on an annual basis through November 30, 2011, on the same terms and conditions, upon approval by County Counsel and the Chief Administrative Office; (c) Ambulance Base and Transportation Services at MLK-Harbor, at an estimated maximum obligation of \$1 million for the period December 1, 2006 through November 30, 2007, with an option for the County to extend the agreement on a monthly basis through November 30, 2009, on the same terms and conditions, upon approval by County Counsel and the Chief Administrative Office; d) The purchase of inpatient hospital beds, including both the hospital component and physician costs. This also includes the possible purchase of Skilled Nursing Facility ("SNF") beds, from various private sector hospitals and facilities on an as-needed

basis in the SPA 6 and SPA 8 areas, at an estimated maximum total obligation of \$85,000,000 for all agreements, for the period December 1, 2006, through November 30, 2007, with an option for the County to extend the agreements on an annual basis through November 30, 2011, on the same terms and conditions upon approval by County Counsel and the Chief Administrative Office. Actual expenditures under the hospital contracts could be considerably less based on actual beds utilized. To the extent these beds are used, we expect some as yet undetermined savings in DHS facilities costs. The cumulative total maximum obligations for all of the above recommended contracts will not exceed \$95,000,000 annually.

2. Delegate authority to the Director to enter into new agreements and amend any existing agreements, as appropriate, to enable the provision of Non-Medical Transportation Services for patients and families of MLK-Harbor requiring such services at a maximum obligation of \$210,000 for the period December 1, 2006, through November 30, 2007, with an option for the County to extend the agreements on an annual basis through November 30, 2011, on the same terms and conditions, upon approval by County Counsel and the Chief Administrative Office.
3. Instruct the Director to report to the Board as to the specific terms of each agreement, upon execution of each agreement, and to report quarterly to the Board on the status of each agreement, including the usage of each agreement and the amount expended pursuant to each agreement, through the duration of the agreement. Specifically, the Director shall notify the Board of his intent to extend any of the agreements prior to executing the extension.
4. Make a finding pursuant to Los Angeles County Code section 2.121.420 that the Emergency Department, Hospitalist and Intensivist Physician Services can more feasibly be performed by independent contractors; and,
5. Make a finding pursuant to Los Angeles County Code section 2.180.010 that, to the extent any of the above agreements for Physician Services will involve contracting with current or former County employees who are or may be officers, principals, partners or major shareholders of the contracting entity, that special circumstances exist which justify such contracts.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

Effective December 1, 2006, residents from the Charles R. Drew University of Medicine and Science will no longer be available to serve patients at MLK-Harbor. This action has required the Department of Health Services ("Department") to seek replacement providers to ensure continued service at MLK-Harbor. Although the Department has moved quickly to identify and negotiate with all needed replacement service providers, the short amount of time to accomplish this large task has limited its ability to complete negotiations in time to present the individual contracts for your Board's consideration prior to the December 1 deadline.

Additionally, pivotal to the implementation of Metrocare, with its system-wide implications, is the need for additional services, including non-medical and ambulance transportation

services between MLK-Harbor and other public and private hospitals, which will be accepting patients for care, as well as the need for the purchase of inpatient beds to support the care and treatment of patients transferred from MLK-Harbor.

Approval of delegated authority to negotiate these agreements and for the Chair of the Board to execute them upon the completion of those negotiations, without further action of your Board, will allow the Director to expeditiously enter into agreements with various health care and related service providers.

#### FISCAL IMPACT/FINANCING:

The estimated maximum obligation for each agreement(s) for a one-year period is as follows:

Emergency Department Physician Services	\$ 6,000,000
Ambulance Base and Transportation	\$ 1,000,000
Inpatient Bed Capacity, including SNF	\$ 85,000,000
Hospitalist & Intensivist Physician Services	\$ 3,000,000

The cumulative total maximum obligations for all of the above-recommended contracts will not exceed 95,000,000 annually.

The maximum obligation for the Non-Medical Transportation services agreements will be \$210,000.

These costs will be funded out of existing resources. We will return to the Board at a future date to realign budgeted dollars which may include the use of DHS Designation Funds.

#### FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On September 22, 2006, the Centers for Medicare and Medicaid Services ("CMS") announced that it intended to revoke its certification of Martin Luther King-Charles R. Drew Medical Center ("KDMC"), effective November 30, 2006. Recently, Drew University determined to voluntarily withdraw its ACGME accreditation of the University and all 15 ACGME sponsored programs effective July 1, 2007. While the University's intent is that all physician residents will be able to complete this current academic year under Drew University sponsorship, the residents will complete their training through rotations in facilities other than KDMC, effective December 1, 2006.

As a direct result of the loss of resident physician services, the Department has an urgent need to contract for certain full-time physician services to allow for the continued provision of medical services to the community, most immediately to staff the emergency department at MLK-Harbor and to provide supplemental hospitalist and intensivist physician services at that facility, as well as to other County facilities to offset the shift in patient care services under Metrocare.

Additionally, central to the success of the ongoing reconfiguration is the movement of patients from MLK-Harbor to other County facilities as well as to private sector hospitals in SPAs 6 and 8.

Accordingly, contracts for the provision of ambulance transportation and non-medical transportation for MLK/Harbor patients and families and for the purchase of inpatient bed capacity are critical to the success of the Metrocare Plan.

Since your Board's November 6, 2006 approval of the Metrocare Plan, the Department has identified potential contractors, through informal Request For Information ("RFI") processes, for all physician services and for ambulance transportation services as well as for the

purchase of inpatient bed capacity. At minimum, these contracts will allow for the County to terminate the contracts expeditiously should the County determine to close the facility.

Negotiations are continuing with the selected service providers and the contracts themselves are in the final stages of completion. However, due to the remaining work necessary to complete and execute these agreements in a timely manner, there is not sufficient time to present individual contracts for your Board's consideration by the December 1 date.

Additionally, the Department has determined that certain patients may require non-medical transportation to an appropriate clinical venue to obtain services. To address this need, the Department will be entering in agreements with transportation vendors ensure that such access to patients is available.

Approval of delegated authority will allow the Director to expeditiously enter into agreements with various health care and related service providers to ensure the continued availability of health care services in SPAs 6 and 8 as the implementation of Metrocare begins, MLK-Harbor undertakes its transition to a community hospital and the residents depart their service at MLK-Harbor.

The Department may return to your Board in the near future should it determine that it is necessary to procure additional medical surgical beds.

Finally, the Department is asking that your Board make findings, pursuant to County Code section 2.180.010, that special circumstances exist to support contracting with certain current or former County employees, and, pursuant to County Code section 2.121.240, can more feasibly be performed by independent contractors.

As to the first finding related to current or former County employees, the Department believes that some County physicians may leave County service and join those contractors selected to provide the various physician services presented for your Board's consideration. Los Angeles County Code section 2.180.010 prohibits the County from contracting with entities for which current or former County employees serve as officers, principals, partners or major shareholders.

At this time, the Department is not aware of any facts that would trigger this prohibition. However, the Department is asking that the Board make an anticipatory finding that special circumstances exist that justify these contracts.

As to the feasibility finding, on November 21, 2006, your Board approved an amendment to the Proposition A ordinance that permits contracting for physician services upon a determination that the use of independent contracts is more feasible than the use of County employees. The provision of contracted physician services is integral to the success of the Metrocare Plan and, most importantly, to the provision of patient care at

MLK-Harbor, especially given the difficulty in recruiting and retaining physicians. Without contract physicians, the continuation of care will not be possible. As such, the Department requests that your Board find that special circumstances exist to justify contacting with current or former County employees, should that circumstance arise, and that the use of physician contractors is more feasible.

CONTRACTING PROCESS:

Because of the time constraints involved in putting these services in place before December 1, 2006, a formal solicitation was not feasible. Instead, the Department chose to release various Requests for Information to gauge interest in these contract opportunities.

Teams comprised of Department staff reviewed each expression of interest to determine whether the response indicated that the interested party had the capacity to provide the service and, particularly, whether it demonstrated the ability to meet the Department's compressed time schedule.

As a result of this process, the Department was able to select providers for each service category for contract negotiations.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

Approval of these recommendations will enable the Department to expeditiously negotiate contracts for services vital to the provision of patient care in SPAs 6 and 8 and for the success of the Metrocare Plan.

When approved, the Department requires the original and three (3) signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "B. Chernof", is written over the printed name.

Bruce A. Chernof, M.D.  
Director and Chief Medical Officer

BAC:irc

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors